

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, MS 19-74 Sacramento CA 95814



February 26, 2004

Dear New Group Home Provider:

Thank you for your request for information on how to obtain a group home rate from the California Department of Social Services (CDSS). The CDSS sets rates for group home programs that accept children eligible to receive Aid to Families with Dependent Children-Foster Care (AFDC-FC) funding. In order to receive a rate, you must submit a complete rate application to the CDSS Foster Care Rates Bureau (FCRB) for review and approval.

**Group Home Regulations**

The group home rate setting regulations can be found in Manual of Policies and Procedures (MPP) Section 11-402. These regulations detail, among other things, the filing requirements for a rate application; how to calculate program points; how to assign education, experience and training weightings; and, the program audit process. In addition, MPP Section 11-400 contains definitions of rate setting terminology, Section 11-405 details fiscal and financial audits requirements, and MPP Section 11-430 details the administrative review procedures. It is imperative that you read and understand these regulations as you will be held responsible for the information contained in your application. An online copy of these regulations can be obtained at [www.dss.cahwnet.gov/ord/default.htm](http://www.dss.cahwnet.gov/ord/default.htm) by clicking on "CDSS Manual of Policies and Procedures," and then choosing the appropriate link for the particular regulation section. In addition, you will find other important information regarding the rate setting process, audits, and other administrative requirements on our website at [www.childsworld.ca.gov](http://www.childsworld.ca.gov) by clicking on "Foster Care Rates and Audits."

**Group Home Rate Setting Background**

Group home rates are established using the Standardized Schedule of Rates System contained in Welfare and Institutions Code (WIC) Section 11462. Group home programs are classified into one of fourteen Rate Classification Levels (RCLs) and each RCL has a corresponding per child per month rate. The RCL is based on the number of points you estimate that your program will generate based on the services provided to children in placement. The computed points are converted to a RCL and corresponding rate. To calculate these points, you will need to determine:

- The level of experience and education of each of your child care staff, as well as the number of paid hours to be worked each month;
- The professional level of each of the social work staff and the number of paid hours of service to be provided each month; and
- The number of paid mental health hours to be provided each month and the qualifications of each practitioner providing mental health services.

The FCRB will not establish a group home rate for your program unless you have obtained a Letter of Support from the county. Please note that if you are not already working with a county social services agency or probation department on a program concept, we strongly suggest you do so.

County placing agencies are unwilling to provide the Letter of Support unless you plan to offer a program that is needed. You will need a clear program concept to project your program's specific services and staffing levels in order to complete the rates forms described on the following pages.

All County Letter No. 01-55 contains the Standardized Schedule of Rates, and describes the RCLs, points and rate amounts currently in effect. You may access that information via the Internet at [www.dss.cahwnet.gov/getinfo/acl01/pdf/01-55.pdf](http://www.dss.cahwnet.gov/getinfo/acl01/pdf/01-55.pdf). The rates that are listed in that letter continue in effect to this date as no rate increases or cost of living adjustments have been provided since the letter was first issued.

### **Standardized Rate (SR) Group Home Application Forms**

In accordance with MPP Section 11-402.422, you will need to complete the forms listed below to have a group home provisional rate established. The initial rate that is established for your group home program is known as a "provisional rate," which is discussed in more detail on page five.

- Group Home Program Rate Application (SR 1, revised 1/00)  
[www.dss.cahwnet.gov/pdf/SR1.pdf](http://www.dss.cahwnet.gov/pdf/SR1.pdf);
- Program Classification Report (SR 2, revised 6/99)  
[www.dss.cahwnet.gov/pdf/SR2.pdf](http://www.dss.cahwnet.gov/pdf/SR2.pdf);
- Program Cost Report (SR 3, revised 1/99)  
[www.dss.cahwnet.gov/pdf/SR3.pdf](http://www.dss.cahwnet.gov/pdf/SR3.pdf); and
- Group Home Program Days of Care Schedule (SR 5, revised 10/99)  
[www.dss.cahwnet.gov/pdf/SR5.pdf](http://www.dss.cahwnet.gov/pdf/SR5.pdf).

Before you prepare your rate application, it is important that you read the regulations, review the SR forms, and carefully read the instructions included with the forms. Complete the SR forms using 12 months of projected data and based on licensed capacity, beginning with the month of the projected effective date of your provisional rate. The effective date of the provisional rate for a new provider is the later of either: (1) the date of first placement, (2) the date the Department receives a complete rate application, or (3) the date of the provisional license. Please note that line 16 of the SR 2 must be completed and should reflect the level at which you intend to operate.

### **Worksheets**

To assist you in preparing the rate application, you will find it extremely helpful to complete three worksheets to determine the total weighted hours for your program in three program components:

- Child Care and Supervision Component Program Worksheet (SR 2A) is used to calculate your estimated total weighted hours of child care and first-line supervision staff. A copy of this worksheet and instructions can be obtained at [www.dss.cahwnet.gov/pdf/SR2A.pdf](http://www.dss.cahwnet.gov/pdf/SR2A.pdf).
- Social Work Component Program Worksheet (SR 2B) is used to calculate your estimated total weighted hours of social work staff. A copy of this worksheet and instructions can be obtained at [www.dss.cahwnet.gov/pdf/SR2B.pdf](http://www.dss.cahwnet.gov/pdf/SR2B.pdf).

- Mental Health Component Program Worksheet (SR 2C) is used to calculate your estimated total weighted hours of mental health treatment services. A copy of this worksheet and instructions can be obtained at [www.dss.cahwnet.gov/pdf/SR2C.pdf](http://www.dss.cahwnet.gov/pdf/SR2C.pdf).

### **Education, Experience and Training Weightings**

A weighting is a numerical factor applied to eligible hours in each of the three program components to determine program points. MPP Section 11-402.22 contains details related to assigning weightings to child care, social work and mental health staff. Generally, for child care staff, a weighting is given for the individual's education, experience and ongoing training; for social work staff, a weighting is given for the professional level of the individual; and, for mental health staff, a weighting is given based on the professional licensing status of the individual.

It is recommended that if you do not know the specific person you will employ as a child care worker, but you anticipate providing an average of 40 hours of training per year, you use a weighting no higher than 1.10 when completing the SR 2A. Please be certain that you do not claim experience or education weighting for staff to be hired whose experience you have not verified and/or who have not provided you with a copy of their degrees and/or college transcripts.

Once you have completed the group home program rate application (SR 1, SR 2, SR 3 and SR 5 forms), you must then calculate your total program points to determine your projected RCL. If you complete the worksheets (SR 2A, 2B and 2C), please provide a copy of those forms with your rate application to assist in the review of your application.

### **Other Required Documents**

The following documents are also required pursuant to MPP Section 11-402.42 before the FCRB can establish a provisional rate for your group home. Please note that a rate will not be established if any of the following documents are not obtained and submitted to the FCRB.

- A copy of your provisional license issued by the CDSS Community Care Licensing Division (CCLD).
- A Letter of Support from the host county, primary placing county, or regional consortium of counties recommending approval of your proposed program (MPP Section 11-425.12).
- A completed Standardized Group Home Program Statement (LIC 9106), which describes your program. You may obtain this form from your placing county or your CCLD district office. When the LIC 9106 is completed, submit one copy to the host county and two copies with the county reviewer's signature directly to CCLD, who will in turn forward one copy of the LIC 9106 to the FCRB.
- An endorsed copy of the group home organization's Articles of Incorporation as filed with the California Secretary of State, demonstrating the organization operates in the public interest for scientific, educational, service or charitable purposes; is not organized for profit making purposes; and, uses its net proceeds to maintain, improve, or expand its operations.

- A copy of the federal Internal Revenue Service letter indicating that your corporation is tax exempt under the Internal Revenue Code Section 501(c)(3), or a copy of the California Franchise Tax Board letter indicating tax exempt status.
- A declaration signed by each member of the group home's Board of Directors stating that the organization will operate during the rate period in the public interest for scientific, education, service or charitable purposes; is not organized for profit making purposes; and uses its net proceeds to maintain, improve or expand its operations.
  - ▶ The provider shall immediately notify the Department if the nonprofit corporation ceases to operate on a nonprofit basis.
- The name, address, telephone number, and position of each member of your Board of Directors, and their relationship to one another, if any.
- If you are claiming a weighting for training, a training plan indicating the formal training you intend to provide to the child care staff for the first year of operation. Include the training topics, number of hours of training proposed for each session, and identify the trainer and the trainer's qualifications. Please remember, even if you are not claiming points for training, you must still meet the training requirements mandated by CCLD.
- A completed "Group Home Shelter Costs, Self-Dealing Transactions Declaration and Survey" form, which can be obtained at [www.dss.cahwnet.gov/pdf/FCR16.pdf](http://www.dss.cahwnet.gov/pdf/FCR16.pdf). This form will assist you in determining if you have any shelter costs that result from self-dealing transactions, including any affiliated leases (see Self-Dealing Transactions section of this letter).
- A copy of the Group Home Administrator Certificate. New and existing providers who request a new program rate are required to submit a Group Home Administrator Certificate as part of a complete rate application in order to have a program rate established. Contact your CCLD district office for information on obtaining your Group Home Administrator Certificate.

### **Self Dealing Transactions**

Legislation enacted in 2003 amended language in WIC Section 11462.06 making a nonprofit corporation that operates a group home program which has entered into a self-dealing transaction/affiliated lease for shelter costs ineligible to receive an AFDC-FC rate, effective July 1, 2003. A self-dealing transaction for shelter costs applies to all transactions, including affiliated leases with a rental or lease agreement, in which a member of the corporation's Board of Directors and/or the member's spouse or family relation has a financial interest.

Therefore, if the nonprofit corporation has entered into such a lease or rental arrangement, an AFDC-FC rate will not be set for the program after July 1, 2003, unless either 1) the person with the financial interest in the property leaves the Board or, 2) the nonprofit corporation leases or rents a property that is not owned by a person on the Board of Directors and/or spouse or family relation. It is suggested that if you have questions regarding this matter, you contact the FCRB prior to submission of the rate application.

### **Provisional Rate and Effective Date of Rate**

The FCRB is required to establish initial rates as “provisional rates” for a new provider. A provisional rate is a temporary rate established for no longer than 13 months and is based on the level of care and services the group home program proposes to provide under the RCL system. After the FCRB completes the review of the rate application and determines that the rate application is complete, you will be notified by letter of establishment of the provisional rate, the effective date of the provisional rate, and the audit criteria for conducting the provisional rate audit.

NOTE: If you accept children prior to the effective date of your provisional rate, the placing county has the discretion to pay you a rate which is less than the rate established by CDSS.

### **Provisional Rate Audit**

Provisional rates will remain in effect until such time as the CDSS Foster Care Program Audits Bureau conducts a provisional rate audit to determine the actual RCL at which your program operated and issues a report of the audit findings. The audit must be conducted within 13 months from the effective date of the provisional rate. The audit reviews two months of operation after the first six months of operation have passed. Based on the audited RCL, group home program rates may either remain at the RCL initially established, or the RCL and rate could be reduced. In the event that the audit determines that the program is operating at more than three levels below its paid RCL, the program rate is subject to termination.

Please note that in accordance with MPP Section 11-402.425, the effective date of the permanent rate for a new provider, whether it will maintain or decrease the provisional rate, is the first of the month following the date the Department issues the audit report.

### **Renewing Your Rate**

Once your group home program rate has been established, you will be required to renew your rate periodically. The rate is renewed by submission of a complete rate application package to the FCRB according to a schedule to be determined by CDSS. You will be required to submit all the items of a new rate application listed above, except for the Program Cost Report (SR 3); that form in addition to the Payroll and Fringe Benefit Report (SR 4), will be prepared and submitted with a financial audit report (FAR) according to a separate submission schedule. The FCRB sends out a “call” letter in advance of the group home program rate application due date reminding providers it’s time to renew. The letter contains information on the requirements for submitting the rate application and any changes in law or regulations that may affect your responsibilities related to the rate application.

### **Financial Audit Reports**

In accordance with state regulations contained in MPP Section 11-405.215(a), a nonprofit corporation that has been incorporated for fewer than 12 calendar months by the end of its first fiscal year in which it received AFDC-FC funds is not required to submit a financial audit report (FAR). However, a financial audit must be conducted of the nonprofit corporation’s next full fiscal year of operation. The FAR must be submitted to the CDSS, along with audited cost data (SR 3 and SR 4 forms), following all regulatory requirements, including timelines as specified under MPP Section 11-405.21. The cost of the FAR may be reimbursed based on a sliding scale if the nonprofit corporation receives less than \$300,000 in combined federal funds during its fiscal year.

The "Financial Audit Report Transmittal (SR 8)" form, available via the internet at [www.dss.cahwnet.gov/pdf/SR8.pdf](http://www.dss.cahwnet.gov/pdf/SR8.pdf), should be used to submit the FAR, cost data (SR 3 and SR 4), and any claim for partial audit cost reimbursement.

Please contact the Financial Audits and Investigations Bureau at (916) 274-0445 regarding the financial audit, the due date for your nonprofit corporation's FAR, and/or the audit cost reimbursement process

### **Rate Application Submission**

Mail your completed group home rate application to the address listed below:

California Department of Social Services  
Foster Care Audits and Rates Branch  
Foster Care Rates Bureau  
744 P Street, M.S. 19-74  
Sacramento, CA 95814

The FCRB rates consultant staff are here to provide you with technical assistance. If you have any questions on the rate application process or forms that were not explained in the enclosed materials, or do not have access to the Internet in order to obtain forms, please contact the Foster Care Rates Bureau at (916) 263-0441.

Sincerely,

ORIGINAL SIGNED BY

SHEILAH DUPUY, Chief  
Foster Care Rates Bureau